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February 4, 2004

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Honorable James H. Welsh  
Commissioner of Conservation  
State of Louisiana  
Post Office Box 94275  
Baton Rouge, Louisiana 70804-9275

RE: HEARING APPLICATION  
James Formation, Reservoir B  
Benson Field  
DeSoto and Sabine Parishes, Louisiana  
Our File No. 370306.0036

Dear Sir:

In accordance with the Rules of Procedure of the Commissioner of Conservation, notice is hereby given that PINNACLE OPERATING COMPANY, INC. intends to make application to the Commissioner of Conservation of the State of Louisiana for a public hearing to receive evidence concerning the following matters relating to the James Formation, Reservoir B, in the Benson Field, DeSoto and Sabine Parishes, Louisiana:

1. To create one (1) additional drilling and production unit (to be designated as James RB SUK) for the exploration for and production of gas and condensate from horizontal wells drilled to the James Formation, Reservoir B, in the Benson Field, DeSoto and Sabine Parishes, Louisiana, as shown on the plat attached hereto.
2. To force pool and integrate all separately owned tracts, mineral leases, and other property interests within each of the proposed units, with each tract sharing in unit production on a surface acreage basis of participation.
3. To designate Pinnacle Operating Company, Inc. as operator of the unit to be created hereby.
4. To provide that special field spacing rules should be adopted for future horizontal wells drilled on the unit created herein which would provide: (a) that the penetration point and terminus of any lateral of any such horizontal well in the James Formation, Reservoir B, should be located no closer than 330 feet to any unit boundary; (b) that the average distance between the productive portion of any lateral and those unit boundaries which run generally parallel to the direction in which the laterals are

drilled shall not be less than 1,000 feet; (c) that the distance from any point along the productive portion of any lateral and those unit boundaries which run generally parallel to the direction in which the laterals are drilled shall not be less than 660 feet; and (d) that there be no well spacing limitations between wells other than that accomplished by application of the aforestated provisions.

5. To provide that the gas allowable provisions of Statewide Order No. 29-F, LAC 43:XIX.2101, et seq., should not apply to any horizontal wells drilled to the James Formation, Reservoir B, within the unit created hereby, but that all such wells should be given an allowable based on the maximum efficient rate (MER) of the well, being the maximum sustainable daily withdrawal rate from the reservoir which will permit economical development and reservoir depletion without causing waste.
6. Except to the extent inconsistent herewith, to provide that the applicable provisions of 496-D Series of Office of Conservation Orders, shall apply to the unit created herein.
7. To consider such other matters as may be appropriate and justified by the evidence presented at the hearing.

The James Formation, Reservoir B, in the Benson Field, DeSoto and Sabine Parishes, Louisiana, was fully defined in Office of Conservation Order No. 496-D, effective April 1, 1980.

Pertinent data regarding this application will be made available for inspection at the offices Blanchard, Walker, O'Quin & Roberts, 400 Texas Street, Suite 1400, Shreveport, Louisiana 71101. Any person wishing to inspect such data should call Mr. Wm. Timothy Allen III at (318) 221-6858 during normal business hours or write Mr. Allen at the above address, in order to arrange a date and time for such inspection. Copies of such pertinent data can be obtained at the expense of the requesting party.

A list of the names and addresses of all Interested Owners, Represented Parties and Interested Parties (as defined in the Rules of Procedure) is attached and a copy of this application, with the attached plat, is being sent to each of such persons. A reasonable effort has been made to determine that the enclosed list includes all of the persons required by the Rules of Procedure. The Applicant will also arrange for mailing, posting and publication of the legal notice of this hearing in accordance with the Rules of Procedure.

By Pre-Application Notice dated January 15, 2004, applicant advised the Commissioner of Conservation, the District Manager and all Interested Owners, Represented Parties and Interested Parties of applicant's intention to apply for the hearing which is the subject of this application. Applicant received no request for a conference, and accordingly, no conference will be held.

Commissioner of Conservation

February 4, 2004


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A check in the amount of \$755.00 payable to the Commissioner of Conservation is enclosed herewith as the statutory fee for holding the requested hearing.

This application is being filed in duplicate, and a copy hereof is being sent to Mr. James C. Broussard, Shreveport District Manager of the Office of Conservation and to each Interested Owner, Represented Party and Interested Party whose name is shown on the attached list.

Very truly yours,

BLANCHARD, WALKER, O'QUIN & ROBERTS

By:   
Wm. Timothy Allen III

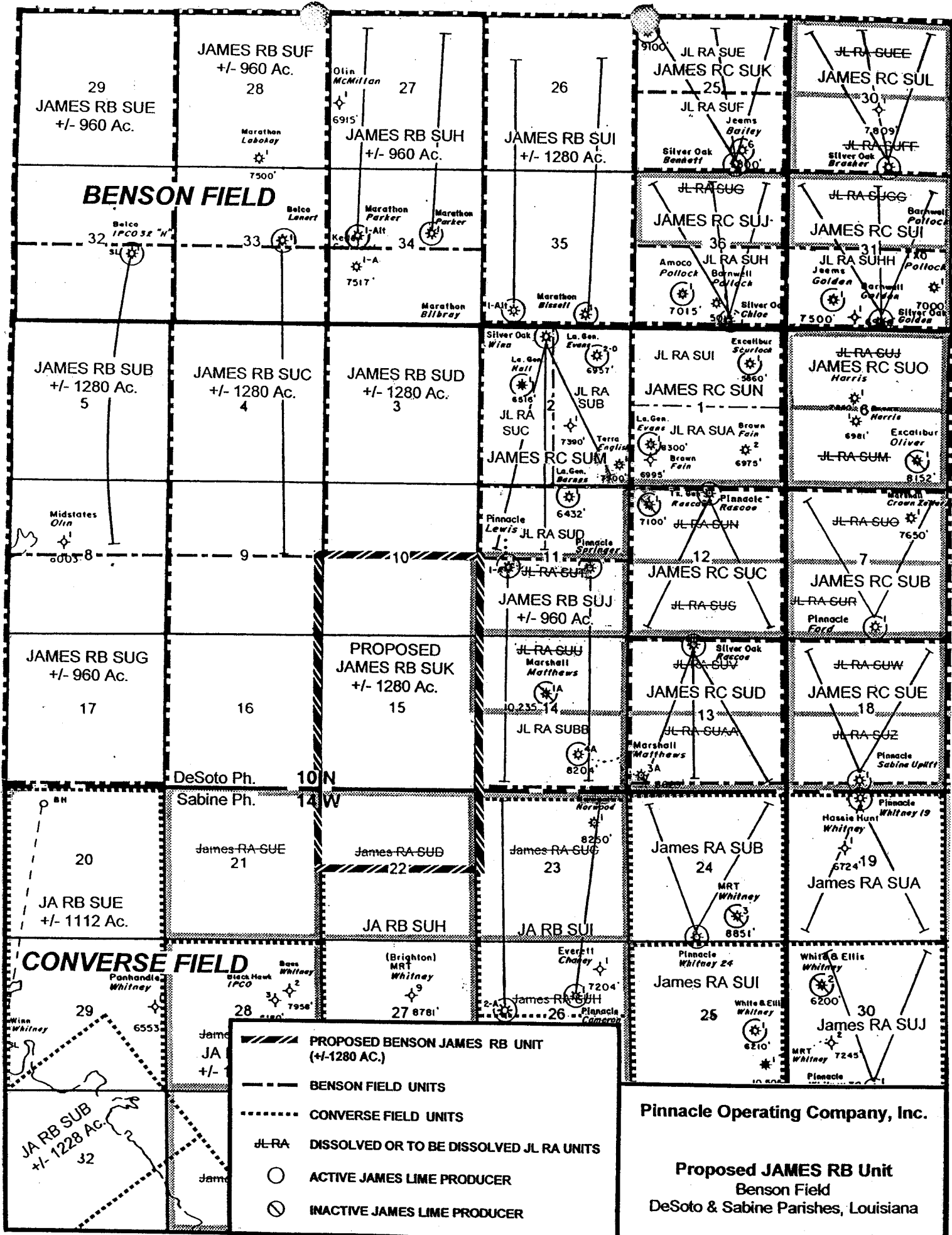
Attorneys for Pinnacle Operating Company, Inc.

WTAIII:bp

Enclosures

cc: Mr. James C. Broussard, District Manager  
Office of Conservation, Shreveport, La. (w/enclosures)

cc: Interested Owners, Represented Parties  
and Interested Parties (w/copy of plat only)



Pinnacle Operating Company, Inc.

Proposed JAMES RB Unit  
Benson Field  
DeSoto & Sabine Parishes, Louisiana